

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6550

BILL NUMBER: SB 397

NOTE PREPARED: Jan 5, 2015

BILL AMENDED:

SUBJECT: Liquor Sales.

FIRST AUTHOR: Sen. Miller Pete

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill allows the Alcohol and Tobacco Commission (ATC) to issue a liquor dealer's permit only to a package liquor store. (Current law allows the ATC to issue a liquor dealer's permit to a drug store or a package liquor store.)

The bill provides that the holder of a liquor dealer's permit who: (1) held a liquor dealer's permit before July 1, 2015; and (2) is the proprietor of a drugstore who holds a license issued by the State Board of Pharmacy; may continue to hold the permit until the permit expires. It provides that the permit: (1) may not be renewed; and (2) may only be transferred to an applicant who is a proprietor of a package liquor store.

The bill also makes conforming changes to the liquor dealer's permit quota restrictions and repeals provisions superseded by this bill.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Alcohol and Tobacco Commission:* The ATC could incur additional administrative costs to implement the bill. The ATC would no longer be allowed to issue or renew liquor dealer's permits to drug stores. The bill's requirements are within the ATC's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Summary -*

Liquor Dealer's Permits: The bill would significantly reduce the number of liquor dealer's permits the ATC

may issue. The decrease in permits could lead to an estimated loss of up to \$213,750 in annual permit fee revenue. This estimate could be lower to the extent that liquor dealer's permits currently held by drug stores are transferred to package liquor stores within the current quota on package liquor store permits under IC 7.1-3-22-5.

Revenue from liquor dealer's permit fees is distributed to the state General Fund (37%); the general funds of cities, towns, and counties based on population (33%); and the Enforcement and Administration Fund (30%).

Alcoholic Beverage Sales: If the bill causes a decrease in total alcoholic beverage sales, revenue from the Alcoholic Beverage Tax on liquor and Sales Tax could potentially decrease. However, the impact on state tax revenue is likely to be small.

The Alcoholic Beverage Tax on liquor is equal to \$2.68 per gallon. Revenue is distributed to the General Fund (\$1.00), Post War Construction Fund (\$1.17), Enforcement and Administration Fund (\$0.11), Pension Relief Fund (\$0.34), and Addiction Services Fund (\$0.06). Fifty percent of the General Fund distribution is allocated to cities and towns according to a formula based on population.

Sales Tax revenue is deposited in the General Fund (98.848%), Motor Vehicle Highway Account (1%), Commuter Rail Service Fund (0.123%), and Industrial Rail Service Fund (0.029%).

Additional Information -

Liquor Dealer's Permits: Based on the ATC's data from August 2014, there are currently 855 liquor dealer's permits held by drug stores. Most of these drug stores are also permitted to sell beer and wine. Under the bill, drug stores may continue to sell beer and wine. If the drug stores that sell beer, wine, and liquor or wine and liquor are no longer allowed to sell liquor, their permit fees would decrease. The annual fee for a dealer's permit is \$1,000 if the dealer sells beer, wine, and liquor; the fee is \$750 if the dealer sells beer and wine but no liquor; and the fee is \$500 if the dealer sells only beer or only wine.

The estimated \$213,750 revenue loss is based on a count of active liquor dealer's permits from the ATC and the permit fees for each type of permit. It is assumed that all drug stores that sell beer, wine, and liquor would begin selling only beer and wine when their current permits expire and that all permit holders that sell wine and liquor would sell only wine. This estimate could be lower to the extent that drug stores transfer ownership of the liquor dealer's permits to package liquor stores. Package liquor stores, however, would still be subject to the current quota of one package liquor store dealer's permit in an incorporated city or town for every 8,000 people.

Alcoholic Beverage Sales: As of August 2014, a total of 1,834 package liquor stores and drug stores hold liquor dealer's permits. The bill would allow only the 979 package liquor stores to sell liquor for consumption off premises. Because consumers would have fewer locations at which they may purchase liquor, total liquor sales could decrease. However, the amount of the decrease in total alcoholic beverages is likely to be small because consumers that would normally buy liquor at a drug store could either purchase liquor at a package store or substitute beer and wine for liquor.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Liquor Dealer's Permits:* Total revenue distributed to cities, towns, and counties from liquor dealer's permit fees could decrease by approximately \$70,538, assuming no drug stores transfer their liquor dealer's permits to package liquor stores.

Alcoholic Beverage Sales: Local revenue could also decrease to the extent that a local unit receives revenue distributions from the Alcoholic Beverage Tax or Sales Tax. However, any revenue loss is likely to be small.

State Agencies Affected: ATC.

Local Agencies Affected: Cities, towns, counties.

Information Sources: ATC list of active permits, August 2014.

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